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February 10, 2009

Representative John Sesso and
Members of the House Appropriations Committee

Re: **Opposition to HB 185- Clarification on misinformation**

Dear Chairman Sesso and Committee Members:

Thank you for the opportunity to submit this letter on behalf of College Savings Bank. Our Bank serves as the 529-plan Program Manager for the Montana Family Education Savings Program (MFESP). College Savings Bank is the industry leader and expert in the college savings market and has assisted and successfully guided your state program for more than ten years.

During our tenure as Program Manager, our mission has been to educate Montanans on the value of higher education as well as the importance of saving hard earned money to fund the ever increasing cost of post-secondary education. Through College Savings Bank's FDIC insured Certificates of Deposit, the residents of Montana are assured that every penny they save will be preserved for their child's future and not be put at risk. We believe we have served your residents well as no parent or grandparent in the MFESP Certificate of Deposit program has lost or subjected his/her college savings to market or credit risk.

As the MFESP Program Manager and partner to the State of Montana, I am compelled to respond to various misinformations that have been circulated through testimony and letters to members of the Montana Legislature that are inaccurate and downright misleading. In addition, an attack on the quality of performance provided by the Montana's 529 Oversight Committee is unwarranted. I refer to a letter (the "Letter") to the Montana Legislature dated January 16, 2009 from Jill Tripp, a Certified Financial Planner with F. Stewart & Associates P.C.

First and foremost, the information provided by Ms. Tripp is misleading. The certified financial planner has opted to present market data and performance through September 30, 2008 even though this information is irrelevant. Based upon the monumental events occurring in the financial markets in the fourth quarter of 2008, there has been a complete reshuffling of the funds' performance rankings. For example, on September 30, 2008 the Oregon Adviser Sold 529 Plan was ranked 8th in the country for 3-year performance. By January 2009, the State of Oregon was considering a lawsuit against Oppenheimer Funds for mismanagement of this same investment portfolio. With almost all funds reporting significant losses in the fourth quarter, thereby resulting in negative returns for the one and three year periods, your Montana plan will likely move to one of the top rankings in the nation. I commend the Oversight Committee for their hard work, care and due diligence in selecting the right investment options for the residents of Montana.

Secondly, the Letter chooses to present only "Direct Sold 529 Plans" performance rankings. It is interesting to note that when comparing "Advisor Sold Plans", the Pacific Life Funds 529 Plan (the MFESP's mutual fund option offered in conjunction with our Certificates of Deposit) ranks 14th in the country in one-year performance and 11th in the country when evaluating a three-year history against other Adviser Sold Plans.

Under the current structure, the MFESP's mutual funds provided by Pacific Life Funds plan are available on a direct sold basis to Montana residents at a reduced cost to the participant. This is typical with most in-state plans. However, if HB 185 were to be enacted, Montanans may only be able to purchase a 529 investment through a financial adviser. The higher cost out-of-state Adviser Sold plans typically include significant "sales charges" frequently as high as five and three quarter percent of the amount invested. While that would stimulate the financial advisor industry, it would be of adverse consequence to the average Montanan.

Third, the Letter chooses to use an evaluation of our 529 plan by referring to an area of research within the web-site www.savingforcollege.com. What the Letter failed to reveal was that the information in this area is disclaimed by the following:

"Savingforcollege.com's 529 Plan Composite Rankings are based on a comparison of the historical investment performances of a representative selection of each 529 plan's investment options."

I believe a more accurate evaluation of 529 Plans can be found within another area of the www.savingforcollege.com Web site that evaluates all 529 plans and awards each plan a series of stars from one to five. The Montana Family Education Savings Program ranks as follows for in-state residents:

College Savings Bank 529 Plan (4.5 out of 5 stars)
Pacific Life Funds Direct Sold Plan (4.5 out of 5 stars)
Pacific Life Adviser Sold Plan (4.5 out of 5 stars)

This 5-star rating is current and accounts for the recent market turbulence. Again, a tribute to the MFESP Oversight Committee.

Fourth, the Letter criticizes the performance yield of the MFESP's CollegeSure Certificates of Deposit. I am pleased to report the following. In 2008, the CollegeSure CD paid an average yield of 4.40% to investors in the Montana Family Education Savings Program. For the year, the S&P500 lost 37.00%. Depositors in College Savings Bank's products offered through the MFESP have never experienced a negative rate of return in the full ten years. No other program manager in the country has provided the same level of protection to its college savers as College Savings Bank.

With regard to specific tax reporting, I encourage you to consult with the Montana Department of Revenue on the adverse consequences of HB 185 (tax parity). Currently, College Savings Bank provides the State of Montana an account of every in-state depositor to the MFESP, the value of the deposit and the value of any withdrawals. This document is readily comparable to any individual's state tax return to evaluate the need for further investigation. With tax parity, this simple, cost-effective and sure-proof method will no longer be available. I caution the Montana Legislature of the possible scenario of a Montana

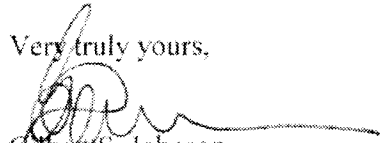
resident who contributes to an out-of-state plan, receives a confirmation for that investment, and withdraws the funds the following year. A recapture would not be traceable without support and communication from all 49 other states. This is a serious flaw with tax parity.

In conclusion, College Savings Bank has been pleased to offer a safety first, FDIC insured Certificate of Deposit within the MFESP for more than 10 years. The Bank currently holds nearly \$50 million in deposits from Montana residents. Based upon market declines in 2008, I feel confident in suggesting each and every account holder at the Bank is pleased with their "conservative" and so-called "low-yielding" investment which has outperformed nearly every other 529 option in the country over the past one year, three year and five year periods while also providing FDIC protection of every dollar invested.

Thank you again for the opportunity to provide this information. College Savings Bank would be pleased to assist you with further documentation, if necessary.

In conclusion, I respectfully encourage the House Appropriations Committee to consider the facts in their entirety and reject HB 185.

Very truly yours,


Gilbert S. Johnson
President & CEO
College Savings Bank